

**BOROUGH OF ORWIGSBURG  
FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT  
DECEMBER 31, 2016**

## TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1-3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Deficit)	4
Statement of Activities	5-6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Cash Basis	7-8
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Cash Basis	10-11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Governmental Activities in the Statement of Activities	12
Proprietary Funds:	
Combining Statement of Net Position	13
Combining Statement of Revenues, Expenses, and Changes in Net Position	14
Combining Statement of Cash Flows	15-16
Notes to Financial Statements	17-67
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit) – Cash Basis - Budget and Actual - General Fund	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Cash Basis - Budget and Actual - Sanitation Fund	69

## TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
Required Supplementary Information (Continued):	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual - Sewer Fund	70
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual - Municipal Authority	71
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual - Water Fund	72
Notes to Required Supplementary Information	73
Schedule of Employer Contributions	
Police (Uniform) Pension Plan	74-75
Non-Uniform Pension Plan	76-77
Schedule of Changes in the Employer's Net Pension Liability	
Police (Uniform) Pension Plan	78
Non-Uniform Pension Plan	79
Schedule of Funding Progress	
Police (Uniform) Pension Plan	80
Non-Uniform Pension Plan	81
Schedules of Funding Progress and Employer Contributions	
Other Postemployment Benefit Plan	82
Supplementary Information:	
Combining Financial Statements - Nonmajor Governmental Funds:	
Combining Balance Sheet - Cash Basis	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis	84

# PATTON AND COMPANY CPAs

2040 WEST END AVENUE  
POTTSVILLE, PA 17901  
570-581-8095

ROBERT B. PATTON, CPA

ALBERT D. MARAZAS, CPA  
KELLY E. ZWIEBEL, CPA

MEMBERS:  
AMERICAN INSTITUTE OF CPAs  
PENNSYLVANIA INSTITUTE OF CPAs

---

## **INDEPENDENT AUDITOR'S REPORT**

January 5, 2018

Borough Council  
Borough of Orwigsburg  
Orwigsburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Orwigsburg, Pennsylvania, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Modified Opinion**

As described in Note 1, the Borough's policy is to prepare its governmental fund financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the Commonwealth of Pennsylvania, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Management has not adopted a methodology for reviewing the collectability of taxes receivable in the General Fund and, accordingly, has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets and fund balances and change the revenues in the General Fund. The amount by which this departure would affect the assets, fund balances, and revenues of the General Fund is not reasonably determinable.

### **Opinions**

In our opinion, except for the effects, if any, of not providing an adequate allowance for uncollectible taxes receivable for the General Fund and preparing its governmental fund financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the Commonwealth of Pennsylvania as described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Borough of Orwigsburg, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Orwigsburg, Pennsylvania, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 68 through 82 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Orwigsburg, Pennsylvania's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

  
Patton and Company CPAs

**BOROUGH OF ORWIGSBURG**  
**STATEMENT OF NET POSITION (DEFICIT)**  
**GOVERNMENT-WIDE**  
**DECEMBER 31, 2016**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS- TYPE ACTIVITIES</b>	<b>TOTALS</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,668,794	\$ 567,095	\$ 2,235,889
Accounts Receivable, Net	16,536	79,610	96,146
Taxes Receivable	16,065	-0-	16,065
Other Receivables	15,754	-0-	15,754
Escrows Receivable	13,719	-0-	13,719
Internal Balances	(851)	851	-0-
Prepaid Items	17,152	7,998	25,150
Land	216,220	84,612	300,832
Land Improvements	125,473	60,098	185,571
Buildings and Improvements	1,375,764	2,547,132	3,922,896
Recreation Assets	240,191	-0-	240,191
Machinery and Equipment	124,166	184,237	308,403
Vehicles	356,700	-0-	356,700
Sewer Plant	-0-	8,312,232	8,312,232
Sewage Treatment System	-0-	3,730	3,730
Sewer Line Improvements	-0-	917,857	917,857
Water Distribution System	-0-	5,858,029	5,858,029
Construction-in-Progress	-0-	16,589	16,589
Accumulated Depreciation	(929,463)	(8,068,887)	(8,998,350)
Net Pension Asset (Note 8)	493,642	-0-	493,642
<b>TOTAL ASSETS</b>	<b>3,749,862</b>	<b>10,571,183</b>	<b>14,321,045</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension Activity (Note 8)	276,181	-0-	276,181
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,026,043</b>	<b>\$ 10,571,183</b>	<b>\$ 14,597,226</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 42,266	\$ 55,281	\$ 97,547
Accrued Payroll Taxes/Withholdings	15,545	-0-	15,545
Accrued Wages	17,933	-0-	17,933
Unearned Rent	1,888	-0-	1,888
Long-Term Debt - Current Portion	596,426	-0-	596,426
Future Lease Liability - Current Portion	1,012	38,031	39,043
Long-Term Liabilities:			
Lease Payable	1,057	47,122	48,179
Loans Payable	155,560	-0-	155,560
Bonds Payable	6,095,000	-0-	6,095,000
Bond Premium, Net	16,746	-0-	16,746
Compensated Absences	37,830	-0-	37,830
Net OPEB Obligation	21,810	-0-	21,810
<b>TOTAL LIABILITIES</b>	<b>7,003,073</b>	<b>140,434</b>	<b>7,143,507</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension Activity (Note 8)	129,603	-0-	129,603
<b>TOTAL ASSETS AND DEFERRED INFLOWS OF RESOURCES</b>	<b>7,132,676</b>	<b>140,434</b>	<b>7,273,110</b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	1,479,612	9,830,476	11,310,088
Restricted for			
Investments	24,493	-0-	24,493
Pension Benefits	493,642	-0-	493,642
Unrestricted	(5,104,380)	600,273	(4,504,107)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(3,106,633)</b>	<b>10,430,749</b>	<b>7,324,116</b>
<b>TOTAL LIABILITIES AND NET POSITION (DEFICIT)</b>	<b>\$ 4,026,043</b>	<b>\$ 10,571,183</b>	<b>\$ 14,597,226</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
STATEMENT OF ACTIVITIES  
GOVERNMENT-WIDE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		FEES, FINES, AND CHARGES FOR SERVICES	LICENSES AND PERMITS	INTER- GOVERNMENTAL REVENUES
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 296,146	\$ 20,213	\$ 65,365	\$ 80,885
Public Safety	638,105	16,755	-0-	-0-
Public Works - Sanitation	266,045	298,510	-0-	-0-
Public Works - Highways and Streets	697,168	-0-	-0-	330,805
Public Works - Other	-0-	84,804	-0-	-0-
Culture and Recreation	172,109	-0-	-0-	22,468
Debt Service	141,388	-0-	-0-	-0-
TOTAL GOVERNMENTAL ACTIVITIES	2,210,961	420,282	65,365	434,158
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer	499,189	835,991	-0-	-0-
Authority	164,057	51,400	-0-	-0-
Water	657,352	742,772	-0-	-0-
TOTAL BUSINESS-TYPE ACTIVITIES	1,320,598	1,630,163	-0-	-0-
TOTAL	\$ 3,531,559	\$ 2,050,445	\$ 65,365	\$ 434,158

**GENERAL REVENUES**

Taxes  
Contributions  
Interest, Rents and Royalties  
Miscellaneous, Net  
Refund of Prior Year Expenditures

**TRANSFERS, NET**

TOTAL GENERAL REVENUES AND TRANSFERS

**CHANGE IN NET POSITION**

**NET POSITION (DEFICIT) - BEGINNING OF YEAR**

**NET POSITION (DEFICIT) - END OF YEAR**

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**



**BOROUGH OF ORWIGSBURG  
STATEMENT OF ACTIVITIES  
GOVERNMENT-WIDE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION (DEFICIT)**

**PRIMARY GOVERNMENT**

<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	<b><u>TOTALS</u></b>
\$ (129,683)	\$ -0-	\$ (129,683)
(621,350)	-0-	(621,350)
32,465	-0-	32,465
(366,363)	-0-	(366,363)
84,804	-0-	84,804
(149,641)	-0-	(149,641)
<u>(141,388)</u>	<u>-0-</u>	<u>(141,388)</u>
(1,291,156)	-0-	(1,291,156)
-0-	336,802	336,802
-0-	(112,657)	(112,657)
<u>-0-</u>	<u>85,420</u>	<u>85,420</u>
-0-	309,565	309,565
(1,291,156)	309,565	(981,591)
930,849	-0-	930,849
18,854	-0-	18,854
54,469	740	55,209
(134)	-0-	(134)
3,966	2,739	6,705
<u>679,221</u>	<u>(679,221)</u>	<u>-0-</u>
<u>1,687,225</u>	<u>(675,742)</u>	<u>1,011,483</u>
396,069	(366,177)	29,892
<u>(3,502,702)</u>	<u>10,796,926</u>	<u>7,294,224</u>
<u>\$ (3,106,633)</u>	<u>\$ 10,430,749</u>	<u>\$ 7,324,116</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
BALANCE SHEET - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<u>GENERAL</u>	<u>SANITATION FUND</u>	<u>CAPITAL RESERVE FUND</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 146,883	\$ 25,909	\$ 910,972
Escrows Receivable	10,924	-0-	-0-
Due from Other Funds	<u>2,539</u>	<u>-0-</u>	<u>-0-</u>
TOTAL ASSETS	<u>\$ 160,346</u>	<u>\$ 25,909</u>	<u>\$ 910,972</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Accrued Payroll Taxes/Withholdings	\$ 3,423	\$ -0-	\$ -0-
Escrows Payable	1,101	-0-	-0-
Due to Other Funds	<u>-0-</u>	<u>3,390</u>	<u>-0-</u>
TOTAL LIABILITIES	4,524	3,390	-0-
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Investments	-0-	-0-	-0-
Assigned to:			
Capital Projects	-0-	-0-	910,972
Debt Service	-0-	-0-	-0-
Public Works - Highway	-0-	-0-	-0-
Unassigned	<u>155,822</u>	<u>22,519</u>	<u>-0-</u>
TOTAL FUND BALANCES	<u>155,822</u>	<u>22,519</u>	<u>910,972</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 160,346</u>	<u>\$ 25,909</u>	<u>\$ 910,972</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
BALANCE SHEET - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

<u>LIQUID FUEL TAX FUND</u>	<u>DEBT/BOND FUND</u>	<u>DEBT/SINKING FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 9,670	\$ 466,718	\$ 84,149	\$ 24,493	\$ 1,668,794
-0-	-0-	-0-	-0-	10,924
-0-	-0-	-0-	-0-	2,539
<u>\$ 9,670</u>	<u>\$ 466,718</u>	<u>\$ 84,149</u>	<u>\$ 24,493</u>	<u>\$ 1,682,257</u>
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,423
-0-	-0-	-0-	-0-	1,101
-0-	-0-	-0-	-0-	3,390
-0-	-0-	-0-	-0-	7,914
-0-	-0-	-0-	24,493	24,493
-0-	-0-	-0-	-0-	910,972
-0-	466,718	84,149	-0-	550,867
9,670	-0-	-0-	-0-	9,670
-0-	-0-	-0-	-0-	178,341
<u>9,670</u>	<u>466,718</u>	<u>84,149</u>	<u>24,493</u>	<u>1,674,343</u>
<u>\$ 9,670</u>	<u>\$ 466,718</u>	<u>\$ 84,149</u>	<u>\$ 24,493</u>	<u>\$ 1,682,257</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

<b><u>TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u></b>		<b>\$ 1,674,343</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental activities do not include receivables for sanitation fees		16,536
Governmental activities do not include receivables for taxes		16,065
Governmental activities do not include receivables for franchise tax fees		15,754
Governmental activities do not include prepaid items		17,152
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		1,509,051
Noncurrent assets are not considered receivable in the current period and, therefore, are not reported in the governmental funds		
Net pension assets		493,642
Premiums on bonds issued are capitalized and amortized on the statement of net position		(16,746)
Governmental activities do not include payables for various expenses		(42,266)
Governmental activities do not include payables for payroll taxes/withholdings		(12,122)
Governmental activities do not include payables for accrued wages		(17,933)
Governmental activities do not include unearned rent		(1,888)
Governmental activities do not include adjustments to escrows receivable		3,896
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Lease payable	(2,069)	
Loans payable	(201,986)	
Bonds payable	(6,645,000)	
Other postemployment benefits payable	(21,810)	
Compensated absences	(37,830)	(6,908,695)
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings are recognized as deferred outflows and inflows of resources on the statement of net position		
Police (uniform) pension	(13,136)	
Non-uniform pension	159,714	146,578
<b><u>NET POSITION OF GOVERNMENTAL ACTIVITIES</u></b>		<b><u>\$(3,106,633)</u></b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (DEFICITS) - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>GENERAL</u>	<u>SANITATION FUND</u>	<u>CAPITAL RESERVE FUND</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 922,212	\$ -0-	\$ -0-
Contributions	6,604	-0-	-0-
Licenses and Permits	65,365	-0-	-0-
Fines and Forfeits	11,755	-0-	-0-
Interest, Rents, and Royalties	53,663	-0-	434
Intergovernmental Revenues	100,406	-0-	216,760
Charges for Services	18,599	296,471	75,664
Miscellaneous Revenues	510	-0-	-0-
Refund of Prior Year Expenditures	2,966	-0-	1,000
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,182,080	296,471	293,858
<b><u>EXPENDITURES</u></b>			
General Government	208,641	-0-	16,043
Public Safety	632,460	-0-	-0-
Public Works - Sanitation	-0-	278,793	-0-
Public Works - Highways	222,095	-0-	148,714
Culture and Recreation	109,489	-0-	9,675
Debt Service	3,320	-0-	-0-
Miscellaneous Expenditures	-0-	-0-	-0-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,176,005	278,793	174,432
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	6,075	17,678	119,426
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Short-Term Debt Proceeds	185,000	-0-	-0-
Transfers from Other Funds	150,653	-0-	227,705
Transfers to Other Funds	(108,418)	(30,000)	(135,725)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	227,235	(30,000)	91,980
<b><u>NET CHANGE IN FUND BALANCES (DEFICITS)</u></b>	233,310	(12,322)	211,406
<b><u>FUND BALANCES (DEFICITS) - BEGINNING OF YEAR</u></b>	(77,488)	34,841	699,566
	<hr/>	<hr/>	<hr/>
<b><u>FUND BALANCES - END OF YEAR</u></b>	\$ 155,822	\$ 22,519	\$ 910,972

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (DEFICITS) - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>LIQUID FUEL TAX FUND</u>	<u>DEBT/BOND FUND</u>	<u>DEBT/SINKING FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 922,212
-0-	-0-	-0-	12,250	18,854
-0-	-0-	-0-	-0-	65,365
-0-	-0-	-0-	-0-	11,755
37	169	212	9	54,524
105,276	-0-	9,248	2,468	434,158
-0-	-0-	-0-	-0-	390,734
-0-	-0-	-0-	-0-	510
-0-	-0-	-0-	-0-	3,966
<u>105,313</u>	<u>169</u>	<u>9,460</u>	<u>14,727</u>	<u>1,902,078</u>
-0-	47	-0-	-0-	224,731
-0-	-0-	-0-	-0-	632,460
-0-	-0-	-0-	-0-	278,793
327,436	-0-	-0-	-0-	698,245
-0-	-0-	-0-	-0-	119,164
-0-	686,785	-0-	-0-	690,105
<u>644</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>644</u>
<u>328,080</u>	<u>686,832</u>	<u>-0-</u>	<u>-0-</u>	<u>2,644,142</u>
(222,767)	(686,663)	9,460	14,727	(742,064)
-0-	-0-	-0-	-0-	185,000
-0-	686,785	-0-	-0-	1,065,143
-0-	(105,851)	-0-	(5,928)	(385,922)
<u>-0-</u>	<u>580,934</u>	<u>-0-</u>	<u>(5,928)</u>	<u>864,221</u>
(222,767)	(105,729)	9,460	8,799	122,157
<u>232,437</u>	<u>572,447</u>	<u>74,689</u>	<u>15,694</u>	<u>1,552,186</u>
<u>\$ 9,670</u>	<u>\$ 466,718</u>	<u>\$ 84,149</u>	<u>\$ 24,493</u>	<u>\$ 1,674,343</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENTAL**  
**ACTIVITIES IN THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b><u>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u></b>		<b>\$ 122,157</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities		11,914
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(87,844)
The increase in compensated absences is reported as an addition to expense on the statement of activities		(3,550)
The decrease in other postemployment benefits payable is reported as an addition to expense on the statement of activities		4,145
The change in net pension assets is reported only on the statement of activities		
Police (uniform) pension	(113,562)	
Non-uniform pension	<u>(92,643)</u>	(206,205)
The change in deferred inflows and outflows of resources is reported only on the statement of activities		
Police pension	108,032	
Non-uniform pension	<u>50,949</u>	158,981
The amortization of the bond premium is reported as a reduction to expense on the statement of activities		1,248
The proceeds of debt are an other financing source on the governmental funds income statement but are not reported on the statement of activities		
Lease payable	(3,114)	
Loans payable	<u>(185,000)</u>	(188,114)
The repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds, but not on the statement of activities		
Bonds payable	545,000	
Lease payable	1,045	
Loans payable	<u>24,949</u>	570,994
Some sanitation fees will not be collected until after the Borough's year-end and are not included as income in the governmental funds		16,536
Some taxes will not be collected until after the Borough's year-end and are not included as income in the governmental funds		16,065
Some franchise tax fees will not be collected until after the Borough's year-end and are not included as income in the governmental funds		15,754
Reversal of beginning receivables		(21,925)
Payment of insurance is reported as an expenditure in the governmental funds when actually paid; however, on the government-wide statement of activities insurance is expensed in the period when it is used		17,152
Reversal of beginning prepaid insurance		(14,391)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Escrows payable	3,896	
Accounts payable	(42,266)	
Accrued payroll taxes/withholdings	(12,122)	
Accrued wages	<u>(17,933)</u>	(68,425)
Reversal of beginning payables		51,632
Rent that was not due until after the Borough's year-end is not included as income in the governmental funds		(1,888)
Reversal of beginning unearned rent		<u>1,833</u>
<b><u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u></b>		<b>\$ 396,069</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
COMBINING STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016**

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b><u>SEWER FUND</u></b>	<b><u>MUNICIPAL AUTHORITY</u></b>	<b><u>WATER FUND</u></b>	<b><u>TOTALS</u></b>
<b><u>ASSETS</u></b>				
<b><u>CURRENT ASSETS</u></b>				
Cash	\$ 426,380	\$ 128,097	\$ 12,618	\$ 567,095
Accounts Receivable, Net	43,294	-0-	36,316	79,610
Prepaid Items	3,967	-0-	4,031	7,998
Due from Other Funds	<u>2,867</u>	<u>-0-</u>	<u>-0-</u>	<u>2,867</u>
TOTAL CURRENT ASSETS	476,508	128,097	52,965	657,570
<b><u>CAPITAL ASSETS, NET</u></b>	<u>998,486</u>	<u>4,067,387</u>	<u>4,849,756</u>	<u>9,915,629</u>
TOTAL ASSETS	<u>\$ 1,474,994</u>	<u>\$ 4,195,484</u>	<u>\$ 4,902,721</u>	<u>\$ 10,573,199</u>
<b><u>LIABILITIES AND NET POSITION</u></b>				
<b><u>LIABILITIES</u></b>				
<b><u>CURRENT LIABILITIES</u></b>				
Accounts Payable	\$ 22,336	\$ -0-	\$ 32,945	\$ 55,281
Due to Other Funds	1,111	-0-	905	2,016
Future Lease Payment Liability - Current Portion	<u>19,016</u>	<u>-0-</u>	<u>19,015</u>	<u>38,031</u>
TOTAL CURRENT LIABILITIES	42,463	-0-	52,865	95,328
<b><u>LONG-TERM LIABILITIES</u></b>				
Future Lease Payment Liability, Net of Current Portion	<u>23,561</u>	<u>-0-</u>	<u>23,561</u>	<u>47,122</u>
TOTAL LONG-TERM LIABILITIES	<u>23,561</u>	<u>-0-</u>	<u>23,561</u>	<u>47,122</u>
TOTAL LIABILITIES	66,024	-0-	76,426	142,450
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	955,909	4,067,387	4,807,180	9,830,476
Unrestricted	<u>453,061</u>	<u>128,097</u>	<u>19,115</u>	<u>600,273</u>
TOTAL NET POSITION	<u>1,408,970</u>	<u>4,195,484</u>	<u>4,826,295</u>	<u>10,430,749</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,474,994</u>	<u>\$ 4,195,484</u>	<u>\$ 4,902,721</u>	<u>\$ 10,573,199</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**



**BOROUGH OF ORWIGSBURG**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b><u>SEWER FUND</u></b>	<b><u>MUNICIPAL AUTHORITY</u></b>	<b><u>WATER FUND</u></b>	<b><u>TOTALS</u></b>
<b><u>OPERATING REVENUES</u></b>				
Charges for Services	\$ 835,991	\$ -0-	\$ 742,772	\$ 1,578,763
Rental Income	-0-	51,400	-0-	51,400
Refund of Prior Year Expenditures	1,198	-0-	1,541	2,739
<b>TOTAL OPERATING REVENUES</b>	<b>837,189</b>	<b>51,400</b>	<b>744,313</b>	<b>1,632,902</b>
<b><u>OPERATING EXPENSES</u></b>				
Public Works	363,706	9,140	218,568	591,414
Salaries and Wages	115,198	-0-	115,108	230,306
Depreciation	20,285	154,917	323,676	498,878
<b>TOTAL OPERATING EXPENSES</b>	<b>499,189</b>	<b>164,057</b>	<b>657,352</b>	<b>1,320,598</b>
<b>OPERATING INCOME (LOSS)</b>	<b>338,000</b>	<b>(112,657)</b>	<b>86,961</b>	<b>312,304</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Interest Revenue, Rents, and Royalties	724	16	-0-	740
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>724</b>	<b>16</b>	<b>-0-</b>	<b>740</b>
<b><u>INCOME (LOSS) BEFORE TRANSFERS</u></b>	<b>338,724</b>	<b>(112,641)</b>	<b>86,961</b>	<b>313,044</b>
<b><u>TRANSFERS</u></b>				
Transfers from Other Funds	105,851	-0-	1,000	106,851
Transfers to Other Funds	(377,467)	-0-	(408,605)	(786,072)
<b>TOTAL TRANSFERS</b>	<b>(271,616)</b>	<b>-0-</b>	<b>(407,605)</b>	<b>(679,221)</b>
<b><u>CHANGE IN NET POSITION</u></b>	<b>67,108</b>	<b>(112,641)</b>	<b>(320,644)</b>	<b>(366,177)</b>
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	<b>1,341,862</b>	<b>4,308,125</b>	<b>5,146,939</b>	<b>10,796,926</b>
<b><u>NET POSITION - END OF YEAR</u></b>	<b>\$ 1,408,970</b>	<b>\$ 4,195,484</b>	<b>\$ 4,826,295</b>	<b>\$ 10,430,749</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b><u>SEWER FUND</u></b>	<b><u>MUNICIPAL AUTHORITY</u></b>	<b><u>WATER FUND</u></b>	<b><u>TOTALS</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from Customers	\$ 823,816	\$ -0-	\$ 733,164	\$ 1,556,980
Rental Income	-0-	51,400	-0-	51,400
Refund of Prior Year Expenditures	1,198	-0-	1,541	2,739
Payments to Suppliers	(403,951)	(9,140)	(187,839)	(600,930)
Payments to Employees	(115,198)	-0-	(115,108)	(230,306)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	305,865	42,260	431,758	779,883
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Due from Other Funds	-0-	47,922	-0-	47,922
Transfers from Other Funds	105,851	-0-	1,000	106,851
Transfers to Other Funds	(377,467)	-0-	(408,605)	(786,072)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(271,616)	47,922	(407,605)	(631,299)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Principal Paid on Capital Debt	(17,549)	-0-	(17,549)	(35,098)
Capital Purchases	(110,914)	-0-	(16,589)	(127,503)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(128,463)	-0-	(34,138)	(162,601)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest, Revenue, and Rents	725	16	-0-	741
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	725	16	-0-	741
<b><u>NET INCREASE (DECREASE) IN CASH</u></b>	(93,489)	90,198	(9,985)	(13,276)
<b><u>CASH - BEGINNING BALANCE</u></b>	519,869	37,899	22,603	580,371
<b><u>CASH - ENDING BALANCE</u></b>	<b><u>\$ 426,380</u></b>	<b><u>\$ 128,097</u></b>	<b><u>\$ 12,618</u></b>	<b><u>\$ 567,095</u></b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**COMBINING STATEMENT OF CASH FLOWS - (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b><u>SEWER FUND</u></b>	<b><u>MUNICIPAL AUTHORITY</u></b>	<b><u>WATER FUND</u></b>	<b><u>TOTALS</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME</u></b>				
<b><u>(LOSS) TO NET CASH PROVIDED (USED) BY</u></b>				
<b><u>OPERATING ACTIVITIES</u></b>				
Operating Income (Loss)	\$ 338,000	\$ (112,657)	\$ 86,961	\$ 312,304
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	20,285	154,917	323,676	498,878
(Increase) Decrease in				
Accounts Receivable	(12,175)	-0-	(9,608)	(21,783)
Prepaid Items	(1,517)	-0-	959	(558)
Increase (Decrease) in				
Accounts Payable	5,550	-0-	28,754	34,304
Due from Other Funds	3,493	-0-	111	3,604
Due to Other Funds	<u>(47,771)</u>	<u>-0-</u>	<u>905</u>	<u>(46,866)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 305,865</u>	<u>\$ 42,260</u>	<u>\$ 431,758</u>	<u>\$ 779,883</u>
<b><u>NONCASH TRANSACTIONS</u></b>				
Acquisition of Capital Asset with Capital Lease	<u>\$ 3,114</u>	<u>\$ -0-</u>	<u>\$ 3,114</u>	<u>\$ 6,228</u>
TOTAL NONCASH TRANSACTIONS	<u>\$ 3,114</u>	<u>-0-</u>	<u>\$ 3,114</u>	<u>\$ 6,228</u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Borough of Orwigsburg (the Borough) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (herein after referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below.

**REPORTING ENTITY**

The Borough of Orwigsburg, Schuylkill County, Pennsylvania, is a municipality existing under the laws of the Commonwealth of Pennsylvania. The Borough was incorporated in 1813 and operates under a Mayor/Council (Seven members) form of government.

As required by GAAP, the financial statements of the Borough of Orwigsburg include those of the primary government and its blended component unit. The component unit discussed below is included in the Borough's reporting entity because of the significance of its operational relationship with the Borough. The financial statements of this component unit have been included in the Borough's reporting entity as a blended component unit. The criteria to determine an entity as a component unit is established by GASB Statement No. 14 which has been amended by GASB Statements No. 39 and No. 61. Individual financial statements can be obtained directly from the component unit's administrative office by writing to the address provided.

As used both on the face of the financial statements and in the footnotes, the term "Primary Government" includes both Borough funds and the Blended Component Unit.

*Blended Component Unit*

Some component units, despite being legally separate from the primary government (Borough), are so intertwined with the primary government, through providing services solely to the primary government, that they are, in substance, the same as the primary government and are reported as part of the primary government. The blended component unit reported in this way is the Municipal Authority of the Borough of Orwigsburg.

**Municipal Authority of the Borough of Orwigsburg – 209 N. Warren St., Orwigsburg, PA 17961**

The Municipal Authority of the Borough of Orwigsburg (Municipal Authority) was formed by the Borough of Orwigsburg for the purpose of providing long-term financing to construct and equip its sewer plant and facilities. The plant facilities acquired by the Municipal Authority are operated and maintained by the Borough under the provisions of a long-term capital lease. The activities of the Municipal Authority are reflected in the Enterprise Funds.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**REPORTING ENTITY – (Continued)**

Members of the Authority Board are appointed by the Borough of Orwigsburg, but the Borough has no power to remove a member of a board of an authority organized under the Municipality Authorities Act. The Authority has no employees. The operation of the water system is carried out by Borough employees.

**FUND ACCOUNTING**

The Borough uses funds to report on its financial position, changes in its financial position, and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. A minimum number of funds are maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental and proprietary.

Governmental funds are used to account for all or most of the Borough's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted, or assigned for the acquisition or construction of capital assets (capital project funds), and the funds committed, restricted, or assigned for the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the Borough (internal service funds). The Borough of Orwigsburg does not have any internal service funds.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Borough. When these assets are held under the terms of a formal trust agreement, a trust fund may be used. Agency funds are used to account for funds that the Borough holds on behalf of others as their agent. The Borough does not have any Fiduciary funds.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Borough. The effect of material interfund activity (except for activities reported in internal service funds) has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Borough reports the following major governmental funds:

The General Fund is the primary operating fund of the Borough and is always classified as a major fund. It is used to account for all financial resources of the general government, except those accounted for in another fund.

The Sanitation Fund was established to account for trash collection fees and for the expenditures related to trash removal in the Borough.

The Capital Reserve Fund was established to account for contributions and specific revenues and transfers from other Borough funds and expenditures for maintaining, repairing, and renovating the capital assets of the Borough.

The Debt/Bond Fund was established to account for the proceeds received from the General Obligation Bonds - Series 2015 and the related expenditures and debt service payments.

The Debt/Sinking Fund was established to accumulate restricted resources for the payment of the Borough's other postemployment benefit (OPEB) obligations.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)**

The Borough reports the following major proprietary funds:

The Sewer Fund accounts for all activity necessary to provide sewer services to the residents of the Borough including administration, operation, and maintenance.

The Water Fund accounts for all activity necessary to provide water services to the residents of the Borough including administration, operation, and maintenance.

The Borough reports the following nonmajor governmental funds:

The Investment Fund accounts for contributions and specific revenues and expenditures for maintaining the programs of the other funds.

The Liquid Fuel Tax Fund accounts for activity funded by the Borough's share of the State tax on the use of motor fuels.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenue/expenses directly related to providing the day-to-day enterprise fund services. Incidental revenues/expenses, such as property taxes and investment income, are reported as nonoperating.

Governmental fund financial statements are presented on the basis of cash receipts and disbursements, which demonstrates compliance with the budget laws of the Commonwealth of Pennsylvania. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT  
PRESENTATION – (Continued)**

The Borough reports unavailable revenue and unearned revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenues arise when resources are received by the Borough before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Borough has a legal claim to the resources, the deferred inflow of resources for unavailable revenue or the liability for unearned revenue is removed from the financial statements and revenue is recognized.

**CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Borough's proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**INVESTMENTS**

Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is based on prices listed on national exchanges as of December 31, 2016 for debt and equity securities.

**PREPAID ITEMS/EXPENSES**

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are accounted for on the consumption method.



**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, sewer and water systems, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost in excess of \$1,000 and an estimated useful life in excess of one year.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of buildings, equipment, sewer/water systems, and vehicles is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land Improvements	15-40
Buildings and Improvements	10-40
Sewer Plant	40
Sewage Treatment System	15
Water Distribution System	15-40
Recreation Assets	15-30
Equipment	8-15
Vehicles	5-8

**COMPENSATED ABSENCES**

Vested or accumulated vacation leave and vested sick leave, including related Social Security and Medicare, is recorded as an expense and liability at the government-wide level as the benefits accrue to employees.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, and gains/losses on refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount and gains/losses on refundings.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**FUND EQUITY/NET POSITION**

Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance is reported for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the Borough Council, which is considered the Borough's highest level of decision-making authority. Formal actions include ordinances approved by the Borough Council. Assigned fund balance represents amounts constrained by the Borough's intent to use them for a specific purpose. Any residual fund balance of the General Fund and any deficits in other funds, if any, is reported as unassigned.

The Borough's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Borough considered committed funds to be expended first followed by assigned and then unassigned funds.

In the government-wide and proprietary fund financial statements, restricted net position is legally restricted by outside parties for a specific purpose. At December 31, 2016, no net position restrictions were the result of enabling legislation adopted by the Borough. Net investment in capital assets represents the Borough's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. Unrestricted net position consists of net position that does not meet the definition of restricted or investment in capital assets.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**INTERFUND TRANSACTIONS**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans, if any, are classified as "interfund receivables/payables".

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services and reimbursements, are reported as transfers.

**ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**INVENTORIES OF SUPPLIES**

The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various statements presented.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 5, 2018, the date that the financial statements were available to be issued.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The Borough has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. Deposits of the Borough are maintained in demand deposits, governmental investment pools, certificates of deposit, or savings accounts. There were no deposit or investment transactions during the year that were in violation of the state statutes.

**DEPOSITS**

The carrying amounts of the deposits at December 31, 2016 consist of the following:

Petty Cash	\$ 250
Deposits	<u>2,235,639</u>
	<u>\$ 2,235,889</u>

**RECONCILIATION TO THE STATEMENT OF NET POSITION**

Cash and Cash Equivalents:	
Governmental Activities	\$ 1,668,794
Business-Type Activities	<u>567,095</u>
	<u>\$ 2,235,889</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 – DEPOSITS AND INVESTMENTS – (Continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. At December 31, 2016, \$770,742 of the Borough's bank balance of \$2,560,517 was covered by federal depository insurance and \$1,789,775 was exposed to custodial credit risk, which is collateralized under Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

At December 31, 2016, the carrying amount of the Municipal Authority's deposits was \$128,097 and the bank balance was \$128,097, all of which was covered by federal depository insurance.

**NOTE 3 – RECEIVABLES**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Borough charges penalty and interest at 1.5% per month on delinquent accounts. Management has elected not to provide an allowance on delinquent accounts receivable since the delinquencies are sent to the magistrate, liens are placed on the properties, and the service is eventually shut off.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ -0-	\$ 216,220	\$ -0-	\$ 216,220
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	-0-	216,220	-0-	216,220
Capital Assets Being Depreciated				
Land Improvements	341,693	-0-	(216,220)	125,473
Buildings and Improvements	1,375,764	-0-	-0-	1,375,764
Equipment	112,252	11,914	-0-	124,166
Recreation Assets	240,191	-0-	-0-	240,191
Vehicles	356,700	-0-	-0-	356,700
TOTAL CAPITAL ASSETS BEING DEPRECIATED	2,426,600	11,914	(216,220)	2,222,294
Less Accumulated Depreciation for				
Land Improvements	(88,754)	(2,796)	-0-	(91,550)
Buildings and Improvements	(304,756)	(40,959)	-0-	(345,715)
Equipment	(70,128)	(7,136)	-0-	(77,264)
Recreation Assets	(100,076)	(11,855)	-0-	(111,931)
Vehicles	(277,905)	(25,098)	-0-	(303,003)
TOTAL ACCUMULATED DEPRECIATION	(841,619)	(87,844)	-0-	(929,463)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	1,584,981	(75,930)	(216,220)	1,292,831
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 1,584,981</u>	<u>\$ 140,290</u>	<u>\$ (216,220)</u>	<u>\$ 1,509,051</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 – CAPITAL ASSETS – (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 39,532	\$ 45,080	\$ -0-	\$ 84,612
Construction-in-Progress	<u>812,007</u>	<u>122,439</u>	<u>(917,857)</u>	<u>16,589</u>
<b>TOTAL CAPITAL ASSETS</b>				
<b>NOT BEING DEPRECIATED</b>	851,539	167,519	(917,857)	101,201
Capital Assets Being Depreciated				
Land Improvements	105,178	-0-	(45,080)	60,098
Buildings and Improvements	2,547,132	-0-	-0-	2,547,132
Equipment	172,946	11,291	-0-	184,237
Sewer Plant	8,312,232	-0-	-0-	8,312,232
Sewage Treatment System	3,730	-0-	-0-	3,730
Sewer Line Improvements	-0-	917,857	-0-	917,857
Water Distribution System	<u>5,858,029</u>	<u>-0-</u>	<u>-0-</u>	<u>5,858,029</u>
<b>TOTAL CAPITAL ASSETS</b>				
<b>BEING DEPRECIATED</b>	16,999,247	929,148	(45,080)	17,883,315
Less Accumulated Depreciation for				
Land Improvements	(48,598)	(1,210)	-0-	(49,808)
Buildings and Improvements	(1,944,418)	(73,449)	-0-	(2,017,867)
Equipment	(3,289)	(17,638)	-0-	(20,927)
Sewer Plant	(4,129,460)	(154,917)	-0-	(4,284,377)
Sewage Treatment System	-0-	(249)	-0-	(249)
Sewer Line Improvements	-0-	(10,708)	-0-	(10,708)
Water Distribution System	<u>(1,444,244)</u>	<u>(240,707)</u>	<u>-0-</u>	<u>(1,684,951)</u>
<b>TOTAL ACCUMULATED</b>				
<b>DEPRECIATION</b>	<u>(7,570,009)</u>	<u>(498,878)</u>	<u>-0-</u>	<u>(8,068,887)</u>
<b>TOTAL CAPITAL ASSETS BEING</b>				
<b>DEPRECIATED, NET</b>	<u>9,429,238</u>	<u>430,270</u>	<u>(45,080)</u>	<u>9,814,428</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 10,280,777</u>	<u>\$ 597,789</u>	<u>\$ (962,937)</u>	<u>\$ 9,915,629</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 – CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 6,158
Public Safety	16,623
Public Works - Highways and Streets	10,126
Culture and Recreation	<u>54,937</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>87,844</u>
 Business-Type Activities	
Sewer	\$ 20,285
Municipal Authority	154,917
Water	<u>323,676</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u>498,878</u>

**NOTE 5 – RISK MANAGEMENT**

In conjunction with its normal operations, the Borough is exposed to various risks related to the damage or destruction of its assets from both natural and manmade occurrences, tort liability claims, errors and omissions claims, and professional liability claims. As a result of these exposures, the Borough carries various insurance policies to reduce the overall exposure of risks to the Borough. There were no settlements in excess of insurance coverage in 2016.



**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 – LONG-TERM DEBT**

**GENERAL OBLIGATION BONDS – SERIES OF 2015**

On May 20, 2015, the Borough issued serial bonds with a par value of \$7,485,000 to provide funds for the following: the refunding of the two Municipal Authority of the Borough of Orwigsburg's PennVest loans that were guaranteed by the Borough and were being repaid by the Borough's Sewer Fund; the refunding of the PennVest loan that was being paid by the Borough's Water Fund; and, to assist in financing the interceptor realignment project. The serial bonds carry interest rates of 0.65% to 3.00% and mature between October 1, 2015 and October 1, 2029. The bonds were issued at a premium of \$18,722, which is being amortized over the 15-year life of the bonds.

Bonds payable at December 31, 2016 are comprised of the following individual issues:

<u>General Obligation Bonds</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Redemption @ Maturity</u>
Serial Bond	1.000%	5/20/2015	10/1/2017	\$ 550,000
Serial Bond	2.000%	5/20/2015	10/1/2018	555,000
Serial Bond	2.000%	5/20/2015	10/1/2019	565,000
Serial Bond	2.000%	5/20/2015	10/1/2020	565,000
Serial Bond	2.000%	5/20/2015	10/1/2021	575,000
Serial Bond	2.000%	5/20/2015	10/1/2022	585,000
Serial Bond	2.000%	5/20/2015	10/1/2023	545,000
Serial Bond	2.125%	5/20/2015	10/1/2024	630,000
Serial Bond	2.300%	5/20/2015	10/1/2025	645,000
Serial Bond	2.400%	5/20/2015	10/1/2026	665,000
Serial Bond	2.600%	5/20/2015	10/1/2027	335,000
Serial Bond	2.750%	5/20/2015	10/1/2028	340,000
Serial Bond	3.000%	5/20/2015	10/1/2029	<u>90,000</u>
Total General Obligation Bonds Payable				<u>\$ 6,645,000</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 – LONG-TERM DEBT – (Continued)**

**GENERAL OBLIGATION BONDS – SERIES OF 2015 – (Continued)**

The annual aggregate maturities for the General Obligation Bonds for the years subsequent to December 31, 2016 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 550,000	\$ 138,243	\$ 688,243
2018	555,000	132,743	687,743
2019	565,000	121,642	686,642
2020	565,000	110,342	675,342
2021	575,000	99,042	674,042
2022-2026	3,070,000	316,603	3,386,603
2027-2029	<u>765,000</u>	<u>35,510</u>	<u>800,510</u>
Total	<u>\$ 6,645,000</u>	<u>\$ 954,125</u>	<u>\$ 7,599,125</u>

**LOAN PAYABLE – CREDIT UNION**

On October 16, 2015, the Borough secured a loan from Hidden River Credit Union in the amount of \$44,342. The loan was used to purchase a police vehicle. The loan bears interest at the fixed rate of 1.69%. Total monthly payments of principal and interest in the amount of \$1,264 are due on the 16<sup>th</sup> of each month.

Annual debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 14,822	\$ 348	\$ 15,170
2018	<u>12,548</u>	<u>99</u>	<u>12,647</u>
Total	<u>\$ 27,370</u>	<u>\$ 447</u>	<u>\$ 27,817</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 – LONG-TERM DEBT – (Continued)**

**CAPITAL LEASE – EQUIPMENT**

The Borough has a long-term capital lease with John Deere Financial to finance the acquisition of five pieces of equipment. The lease qualified as a capital lease for accounting purposes as defined under FASB ASC 840-10-25-1, and, therefore, has been recorded at the present value of the future minimum lease payments at the date of inception of the lease. The lease is at 0% interest. Future lease payments are to be made from revenues of the Sewer and Water Funds under this capital lease as follows:

	<u>Year Ending</u> <u>December 31</u>	
	2017	\$ 36,007
	2018	36,007
	2019	<u>9,003</u>
Total Minimum Lease Payments		81,017
Less Deferred Interest		<u>-0-</u>
Present Value Minimum Lease Payments		<u>\$ 81,017</u>

This equipment has been classified in the business-type activities of the Statement of Net Position as follows:

Depreciable Assets	
Equipment	\$ 164,032
Less Accumulated Depreciation	
Equipment	<u>(19,136)</u>
	<u>\$ 144,896</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 – LONG-TERM DEBT – (Continued)**

**CAPITAL LEASE – MOWER**

The Borough entered into a long-term capital lease with John Deere Financial to finance the acquisition of a zero turn radius mower. The lease qualified as a capital lease for accounting purposes as defined under FASB ASC 840-10-25-1, and, therefore, has been recorded at the present value of the future minimum lease payments at the date of inception of the lease. Future lease payments are to be made from revenues of the Sewer and Water Funds under this capital lease as follows:

	Year Ending <u>December 31</u>	
	2017	\$ 3,247
	2018	<u>3,247</u>
Total Minimum Lease Payments		6,494
Less Deferred Interest		<u>(289)</u>
Present Value Minimum Lease Payments		<u>\$ 6,205</u>

This equipment has been classified in the governmental activities of the Statement of Net Position as follows:

Depreciable Assets	
Equipment	\$ 6,228
Less Accumulated Depreciation	
Equipment	<u>(216)</u>
	<u>\$ 6,012</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 – LONG-TERM DEBT – (Continued)**

**LOAN PAYABLE – CREDIT UNION**

On August 23, 2016, the Borough secured a loan from Hidden River Credit Union in the amount of \$85,000. The loan was used to pay for curbing on South Warren Street. The loan bears interest at the fixed rate of 3.00%. Total monthly payments of principal and interest in the amount of \$821 are due on the 23<sup>rd</sup> of each month.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,476	\$ 2,374	\$ 9,850
2018	7,703	2,147	9,850
2019	7,937	1,913	9,850
2020	8,179	1,671	9,850
2021	8,427	1,423	9,850
2022-2026	<u>42,809</u>	<u>3,121</u>	<u>45,930</u>
Total	<u>\$ 82,531</u>	<u>\$ 12,649</u>	<u>\$ 95,180</u>

**LOAN PAYABLE – CREDIT UNION**

On August 23, 2016, the Borough secured a loan from Hidden River Credit Union in the amount of \$100,000. The loan was used to pay for the South Warren/South Wayne Streets project. The loan bears interest at the fixed rate of 3.00%. Total monthly payments of principal and interest in the amount of \$2,213 are due on the 23<sup>rd</sup> of each month.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 24,128	\$ 2,434	\$ 26,562
2018	24,862	1,700	26,562
2019	25,619	943	26,562
2020	<u>17,476</u>	<u>198</u>	<u>17,674</u>
Total	<u>\$ 92,085</u>	<u>\$ 5,275</u>	<u>\$ 97,360</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 – LONG-TERM DEBT – (Continued)**

**CHANGES IN LONG-TERM LIABILITIES**

During the fiscal year, the following changes occurred in long-term liabilities:

	Balances December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balances December 31, <u>2016</u>	<u>Current Portion</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Obligation Bonds -					
Series of 2015	\$ 7,190,000	\$ -0-	\$ (545,000)	\$ 6,645,000	\$ 550,000
Premium	17,994	-0-	(1,248)	16,746	-0-
Loan Payable - Credit Union	41,935	-0-	(14,565)	27,370	14,822
Loan Payable - Credit Union	-0-	85,000	(2,469)	82,531	7,476
Loan Payable - Credit Union	-0-	100,000	(7,915)	92,085	24,128
Capital Lease - Mower	-0-	3,114	(1,045)	2,069	1,012
Compensated Absences	34,280	3,550	-0-	37,830	-0-
Net OPEB Obligation	<u>25,955</u>	<u>-0-</u>	<u>(4,145)</u>	<u>21,810</u>	<u>-0-</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 7,310,164</u>	 <u>\$ 191,664</u>	 <u>\$ (576,387)</u>	 <u>\$ 6,925,441</u>	 <u>\$ 597,438</u>

The General Fund will liquidate the pension and OPEB liabilities.

During the fiscal year, the following changes occurred in long-term liabilities:

	Balances December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balances December 31, <u>2016</u>	<u>Current Portion</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital Lease - Mower	\$ -0-	\$ 6,228	\$ (2,092)	\$ 4,136	\$ 2,020
Capital Lease - Equipment	<u>114,023</u>	<u>-0-</u>	<u>(33,006)</u>	<u>81,017</u>	<u>36,000</u>
 TOTAL BUSINESS-TYPE ACTIVITIES	 <u>\$ 114,023</u>	 <u>\$ 6,228</u>	 <u>\$ (35,098)</u>	 <u>\$ 85,153</u>	 <u>\$ 38,020</u>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 7 – INTERFUND ASSETS/LIABILITIES**

**INTERFUND TRANSFERS**

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Bond	Sewer	\$ 105,851
Capital Reserve	General	134,725
Capital Reserve	Water	1,000
General	Capital Reserve	108,418
Nonmajor	General	5,928
Sanitation	Capital Reserve	20,000
Sanitation	General	10,000
Sewer	Bond	343,059
Sewer	Capital Reserve	34,408
Water	Bond	343,726
Water	Capital Reserve	<u>64,879</u>
 TOTAL		 <u>\$ 1,171,994</u>

The purpose of significant transfers from/to other funds is as follows:

\*\$105,851 was transferred from the Bond Fund to the Sewer Fund to reimburse interceptor realignment project invoices paid.

\*\$134,725 was transferred from the Capital Reserve Fund to the General Fund to remove the interfund receivable that will not be repaid.

\*\$108,418 was transferred from the General Fund to the Capital Reserve Fund to reimburse for repairs and for the South Warren Street curbing.

\*\$343,059 and \$343,726 was transferred from the Sewer and Water Funds, respectively, to the Bond Fund for the bond principal and interest payments due.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 7 – INTERFUND ASSETS/LIABILITIES – (Continued)**

**DUE TO/FROM OTHER FUNDS/ADVANCES**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sanitation	\$ 523
General	Sewer	1,111
General	Water	905
Sewer	Sanitation	<u>2,867</u>
TOTAL		<u>\$ 5,406</u>

The interfund payables/receivables all represent temporary financing that will be repaid within one year.

**NOTE 8 – PENSION PLANS**

During 1990, the Borough terminated its Uniform and Non-Uniform pension "side" funds by transferring all assets to the Pennsylvania Municipal Retirement System for investment, administration, and preparation of annual financial statements. The Borough does not include the financial statements of the pension plans within the Borough's financial statements.



**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN**

**Plan Description**

The Borough's police (uniform) employees are members of a single-employer defined benefit pension plan. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained by contacting the PMRS accounting office.

PMRS did not provide current information as of December 31, 2016. All information in the Notes to the Financial Statements and in the Required Supplementary Information is as of December 31, 2015, the latest available from PMRS.

**Plan Membership**

At December 31, 2015, Plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>3</u>
Total Participant Count	<u>5</u>

**Benefits Provided**

Pension plan benefits are as follows:

**Eligibility Requirements**

Normal Retirement – Available upon attainment of age 50 with 12 years of credited service.

Early Retirement – A voluntary early retirement available after 24 years of service. An involuntary early is available after 8 years of service.

Vesting – A member is 100% vested after 12 years of service.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Benefits Provided – (Continued)**

**Retirement Benefit**

Benefit equals 2.0% times credited service times Final Average Salary (FAS) but in no event is the basic benefit greater than 50% of FAS. FAS based upon last 3 years annualized salary. A service increment for credited service in excess of 25 years provided. Maximum benefit \$500 per month. There is no Social Security offset.

**Survivor Benefit**

If eligible to retire or if retired at time of death, spouse receives 50% of member's benefit.

**Disability Benefit**

Service Related – A 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. Offset by available Workers' Compensation benefits.

Non-Service Related – A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

**Post-Retirement Adjustments**

PMRS law allows a municipality to optionally award post-retirement adjustments based on investment performance (excess interest awards).

**DROP Benefits**

Available to members who are eligible for normal retirement; maximum DROP period is 3 years.

**Contributions**

**Member Contributions**

Amount or Rate – 5% of pay; currently waived.

Interest Rate Credited to Member Contribution – 5.5%.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Actuarial Assumptions**

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 as well as subsequent Board approved assumption changes.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal actuarial cost method
Assumptions:	
Cost of living adjustments/inflation	2.80% per year, subject to plan limitations
Salary increases	Age related scale with merit and inflation component
Interest rate	5.5% compounded annually, net of investment income and certain administrative expenses
Asset valuation method	Based upon the municipal reserves
Healthy life mortality:	
Rates of pre-retirement mortality	
Males:	RP2000 Male Non-Annuitant table projected 15 years with Scale AA
Females:	RP2000 Female Non-Annuitant table projected 15 years with Scale AA and then set back 5 years
Rates of post-retirement mortality	
Males:	RP2000 Male Annuitant table projected 5 years with Scale AA
Females:	RP2000 Female Annuitant table projected 10 years with Scale AA
Disabled life mortality rates:	
Males and Females:	RP2000 Combined table set-forward 10 years

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Long-Term Expected Rate of Return**

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. There are four steps to the method:

- 1) Expected future real rates of return are based primarily on the 20 year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
- 2) The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
- 3) The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown in the chart below labeled "System Nominal and Real Rates of Return by Asset Class."
- 4) These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the Board has been determined to be 70%. The chart on the next page labeled "Confidence Levels for System Nominal and Real Rates of Return" identifies simulated portfolio returns at various confidence levels.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Long-Term Expected Rate of Return – (Continued)**

**System Nominal and Real Rates of Return by Asset Class**

Asset Class	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Real Rate o Return
Domestic Equities (large capitalized firms)	25%	9.9%	6.9%
Domestic Equities (small capitalized firms)	15%	9.8%	6.8%
International Equities (international developed markets)	15%	7.0%	4.0%
International Equities (emerging markets)	10%	10.6%	7.6%
Real Estate	20%	10.1%	7.1%
Fixed income	15%	5.4%	2.4%
Total Portfolio	100%	8.9%	5.9%

**Confidence Levels for System Nominal and  
Real Rates of Return**

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95%	3.6%	0.6%
90%	4.6%	1.6%
85%	5.3%	2.3%
80%	5.5%	2.5%
75%	5.9%	2.9%
70%	6.3%	3.3%
50%	8.2%	5.2%

Based on the four part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.5%.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Long-Term Expected Rate of Return – (Continued)**

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's long-term expected rate of return and the individual participating municipalities' regular interest rate is described in the section below labeled "Discount Rate." As of December 31, 2015, this rate is equal to 5.5%.

The System's policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

**Discount Rate**

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

- 1) Retiree Plan liability as a percentage of total Plan liability,
- 2) Active Plan participant liability as a percentage of total Plan liability,
- 3) Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
- 4) PMRS System Long-Term Expected Rate of Return, and
- 5) PMRS administrative expenses

The formula using these factors is as follows:

Regular Interest Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long-Term Expected Rate of Return) – (Administrative Expenses as a percentage of assets)

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Discount Rate – (Continued)**

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2015 was 5.5%.

This required equivalence between the Regular Interest Rate and the Actuarial Discount Rate will likely result in a System Long-Term Expected Rate of Return that will be higher than the Actuarial Discount Rate and higher than the Long-Term Expected Rate of Return for individual participating municipalities. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Discount Rate Sensitivity**

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

**Sensitivity of Net Pension Liability to Changes in Discount Rate**

	<b>1% Decrease <u>4.50%</u></b>	<b>Discount Rate <u>5.50%</u></b>	<b>1% Increase <u>6.50%</u></b>
Total Pension Liability	\$ 1,359,571	\$ 1,209,340	\$ 1,084,728
Plan Fiduciary Net Position	<u>2,065,320</u>	<u>2,065,320</u>	<u>2,065,320</u>
Net Pension Liability	<u>\$ (705,749)</u>	<u>\$ (855,980)</u>	<u>\$ (980,592)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	151.9%	170.8%	190.4%



**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	Total Pension	Plan Fiduciary	Net Pension
	Liability (a)	Net Position (b)	Liability (a) - (b)
<b>Balances at 12/31/2014</b>	\$ 1,113,303	\$ 2,082,845	\$ (969,542)
<b>Changes for the year:</b>			
Service cost	38,967	-0-	38,967
Interest	63,375	-0-	63,375
Changes of benefits	-0-	-0-	-0-
Changes of assumptions*	(6,305)	-0-	(6,305)
Differences between expected and actual experience	-0-	-0-	-0-
Contributions - employer	-0-	-0-	-0-
Contributions - PMRS assessment	-0-	-0-	-0-
Contributions - member	-0-	-0-	-0-
PMRS investment income	-0-	114,123	(114,123)
Market value investment income**	-0-	(126,790)	126,790
Transfers	-0-	-0-	-0-
Benefit payments	-0-	-0-	-0-
PMRS administrative expense	-0-	(100)	100
Additional administrative expense	-0-	(4,758)	4,758
<b>Net changes</b>	<u>96,037</u>	<u>(17,525)</u>	<u>113,562</u>
<b>Balances at 12/31/2015</b>	<u>\$ 1,209,340</u>	<u>\$ 2,065,320</u>	<u>\$ (855,980)</u>

\*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

\*\*Reflects the net investment income/(loss) of (\$119,419) and the income/(loss) due to the difference between expected and actual asset values of (\$7,371), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Changes in Net Pension Liability – (Continued)**

This report does not reflect changes in benefits or assumptions after January 1, 2016. Because the beginning and end of year TPL are based upon the same actuarial valuation dates, there is no difference between expected and actual experience reported this year, per GASB 68 paragraph 22. The beginning of year TPL is based upon the January 1, 2015 actuarial valuation, with liabilities measured at December 31, 2014. The end of year TPL is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2015 and reflecting the impact of the assumption changes.

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position." PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional administrative expenses" are the expenses in excess of the "PMRS administrative expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS investment income" is based upon the regular and excess interest used to credit accounts annually. The "Market value investment income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities were rolled forward from the prior actuarial valuation date. Also, assumption changes as of the Measurement Date have been reflected.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred  
Inflows of Resources – (Continued)**

**Schedule of Collective Deferred Inflows and Outflows**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -0-	\$ 115,318
Changes in assumptions	-0-	5,674
Net difference between projected and actual earnings on pension plan investments	<u>107,856</u>	<u>-0-</u>
Total	<u>\$ 107,856</u>	<u>\$ 120,992</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

**Year Ended December 31:**

2016	\$ 12,453
2017	12,453
2018	12,454
2019	10,312
2020	(15,046)
Thereafter	(45,762)

The recognition period for experience and assumptions change gains/losses is 10.00 years.

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and deferred inflows plus employer contributions.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**POLICE (UNIFORM) PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred  
Inflows of Resources – (Continued)**

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

**Calculation of Collective Pension Expense**

	<b>Measurement Year Ending</b>	
	<b><u>12/31/2015</u></b>	<b><u>12/31/2014</u></b>
Change in net pension liability	\$ 113,562	\$ (118,428)
Change in deferred outflows	(99,291)	(8,565)
Change in deferred inflows	(8,741)	129,733
Employer contributions	<u>-0-</u>	<u>462</u>
<b>Pension Expense</b>	<b>\$ 5,530</b>	<b>\$ 3,202</b>
<b>Pension Expense as % of Payroll</b>	<b>2.53%</b>	<b>1.15%</b>
<b>Operating Expenses</b>		
Service cost	\$ 38,967	\$ 53,735
Employee contributions	-0-	-0-
PMRS administrative expense	100	120
Additional administrative expense	<u>4,758</u>	<u>4,145</u>
<b>Total</b>	<b>\$ 43,825</b>	<b>\$ 58,000</b>
<b>Financing Expenses</b>		
Interest cost	\$ 63,375	\$ 65,566
Expected return on assets	<u>(114,123)</u>	<u>(108,090)</u>
<b>Total</b>	<b>\$ (50,748)</b>	<b>\$ (42,524)</b>
<b>Changes</b>		
Benefits changes	\$ -0-	\$ -0-
Recognition of assumption changes	(631)	-0-
Recognition of liability gains and losses	(14,415)	(14,415)
Recognition of investment gains and losses	<u>27,499</u>	<u>2,141</u>
<b>Total</b>	<b>\$ 12,453</b>	<b>\$ (12,274)</b>
<b>Pension Expense</b>	<b>\$ 5,530</b>	<b>\$ 3,202</b>

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN**

**Plan Description**

Prior to 1991, the Borough's Non-Uniform Pension Plan was a split-funded plan (insurance plus side fund). During November 1993, the Borough established its single-employer defined benefit pension plan for non-uniform employees that participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained by contacting the PMRS accounting office.

PMRS did not provide current information as of December 31, 2016. All information in the Notes to the Financial Statements and in the Required Supplementary Information is as of December 31, 2015, the latest available from PMRS.

**Plan Membership**

At December 31, 2015, Plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>9</u>
 Total Participant Count	 <u>17</u>

**Benefits Provided**

Pension plan benefits are as follows:

**Eligibility Requirements**

Normal Retirement – Available upon attainment of age 54.

Early Retirement – A voluntary early retirement available after 20 years of service. An involuntary early is available after 8 years of service.

Vesting – A member is 100% vested after 10 years of service.

**Retirement Benefit**

Benefit equals 2.5% times credited service times Final Average Salary (FAS) but in no event is the basic benefit greater than 75% of FAS. FAS based upon last 3 years annualized salary. There is no Social Security offset.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Benefits Provided – (Continued)**

Survivor Benefit

If eligible to retire or vest at time of death, beneficiary receives present value of accrued benefit.

Disability Benefit

Service Related – A 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. Offset by available Workers' Compensation benefits.

Non-Service Related – A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

Post-Retirement Adjustments

PMRS law allows a municipality to optionally award post-retirement adjustments based on investment performance (excess interest awards). A COLA is annually provided that equals the C.P.I. The maximum benefit allowed may not exceed 130% of the original benefit of 75% of the Final Average Salary.

**Contributions**

Member Contributions

Amount or Rate – No member contributions required.  
Interest Rate Credited to Member Contribution – 5.5%.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Actuarial Assumptions**

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 as well as subsequent Board approved assumption changes.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal actuarial cost method
Assumptions:	
Cost of living adjustments/Inflation	2.80% per year, subject to plan limitations
Salary increases	Age related scale with merit and inflation component
Interest rate	5.5% compounded annually, net of investment income and certain administrative expenses
Asset valuation method	Based upon the municipal reserves
Healthy life mortality:	
Rates of pre-retirement mortality	
Males:	RP2000 Male Non-Annuitant table projected 15 years with Scale AA
Females:	RP2000 Female Non-Annuitant table projected 15 years with Scale AA and then set back 5 years
Rates of post-retirement mortality	
Males:	RP2000 Male Annuitant table projected 5 years with Scale AA
Females:	RP2000 Female Annuitant table projected 10 years with Scale AA
Disabled life mortality rates:	
Males and Females:	RP2000 Combined table set-forward 10 years

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Long-Term Expected Rate of Return**

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. There are four steps to this method:

- 1) Expected future real rates of return are based primarily on the 20 year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
- 2) The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
- 3) The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown in the chart below labeled "System Nominal and Real Rates of Return by Asset Class."
- 4) These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the Board has been determined to be 70%. The chart on the next page labeled "Confidence Levels for System Nominal and Real Rates of Return" identifies simulated portfolio returns at various confidence levels.



**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Long-Term Expected Rate of Return – (Continued)**

**System Nominal and Real Rates of Return by Asset Class**

Asset Class	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Real Rate o Return
Domestic Equities (large capitalized firms)	25%	9.9%	6.9%
Domestic Equities (small capitalized firms)	15%	9.8%	6.8%
International Equities (international developed markets)	15%	7.0%	4.0%
International Equities (emerging markets)	10%	10.6%	7.6%
Real Estate	20%	10.1%	7.1%
Fixed income	15%	5.4%	2.4%
Total Portfolio	<u>100%</u>	<u>8.9%</u>	<u>5.9%</u>

**Confidence Levels for System Nominal and  
Real Rates of Return**

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95%	3.6%	0.6%
90%	4.6%	1.6%
85%	5.3%	2.3%
80%	5.5%	2.5%
75%	5.9%	2.9%
70%	6.3%	3.3%
50%	8.2%	5.2%

Based on the four part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.5%.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Long-Term Expected Rate of Return – (Continued)**

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's long-term expected rate of return and the individual participating municipalities' regular interest rate is described in the section below labeled "Discount Rate." As of December 31, 2015, this rate is equal to 5.5%.

The System's policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

**Discount Rate**

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

- 1) Retiree Plan liability as a percentage of total Plan liability,
- 2) Active Plan participant liability as a percentage of total Plan liability,
- 3) Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
- 4) PMRS System Long-Term Expected Rate of Return, and
- 5) PMRS administrative expenses

The formula using these factors is as follows:

Regular Interest Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long-Term Expected Rate of Return) – (Administrative Expenses as a percentage of assets)

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Discount Rate – (Continued)**

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2015 was 5.5%.

This required equivalence between the Regular Interest Rate and the Actuarial Discount Rate will likely result in a System Long-Term Expected Rate of Return that will be higher than the Actuarial Discount Rate and higher than the Long-Term Expected Rate of Return for individual participating municipalities. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**Discount Rate Sensitivity**

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table on the next page shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus on present from the rate used for disclosure.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Discount Rate Sensitivity – (Continued)**

**Sensitivity of Net Pension Liability to Changes in Discount Rate**

	1% Decrease <u>4.50%</u>	Discount Rate <u>5.50%</u>	1% Increase <u>6.50%</u>
Total Pension Liability	\$ 1,995,118	\$ 1,767,347	\$ 1,578,550
Plan Fiduciary Net Position	<u>1,405,009</u>	<u>1,405,009</u>	<u>1,405,009</u>
Net Pension Liability	<u>\$ 590,109</u>	<u>\$ 362,338</u>	<u>\$ 173,541</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.4%	79.5%	89.0%

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Changes in Net Pension Liability**

	<b><u>Increase (Decrease)</u></b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at 12/31/2014</b>	<b>\$ 1,683,619</b>	<b>\$ 1,413,924</b>	<b>\$ 269,695</b>
<b>Changes for the year:</b>			
Service cost	56,130	-0-	56,130
Interest	93,482	-0-	93,482
Changes of benefits	-0-	-0-	-0-
Changes of assumptions*	15,359	-0-	15,359
Differences between expected and actual experience	-0-	-0-	-0-
Contributions - employer	-0-	93,899	(93,899)
Contributions - PMRS assessment	-0-	320	(320)
Contributions - member	-0-	-0-	-0-
PMRS investment income	-0-	63,387	(63,387)
Market value investment income**	-0-	(82,316)	82,316
Transfers	-0-	-0-	-0-
Benefit payments	(81,243)	(81,243)	-0-
PMRS administrative expense	-0-	(320)	320
Additional administrative expense	-0-	(2,642)	2,642
<b>Net changes</b>	<b>83,728</b>	<b>(8,915)</b>	<b>92,643</b>
<b>Balances at 12/31/2015</b>	<b>\$ 1,767,347</b>	<b>\$ 1,405,009</b>	<b>\$ 362,338</b>

\*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

\*\*Reflects the net investment income/(loss) of (\$66,329) and the income/(loss) due to the difference between expected and actual asset values of (\$15,987), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Changes in Net Pension Liability – (Continued)**

This report does not reflect changes in benefits or assumptions after January 1, 2016. Because the beginning and end of year TPL are based upon the same actuarial valuation dates, there is no difference between expected and actual experience reported this year, per GASB 68 paragraph 22. The beginning of year TPL is based upon the January 1, 2015 actuarial valuation, with liabilities measured at December 31, 2014. The end of year TPL is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2015 and reflecting the impact of the assumption changes.

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position." PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional administrative expenses" are the expenses in excess of the "PMRS administrative expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS investment income" is based upon the regular and excess interest used to credit accounts annually. The "Market value investment income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities were rolled forward from the prior actuarial valuation date. Also, assumption changes as of the Measurement Date have been reflected.

**BOROUGH OF ORWIGSBURG  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)**

**Schedule of Collective Deferred Inflows and Outflows**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -0-	\$ 8,611
Changes in assumptions	12,287	-0-
Net difference between projected and actual earnings on pension plan investments	<u>156,038</u>	<u>-0-</u>
Total	<u>\$ 168,325</u>	<u>\$ 8,611</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

**Year Ended December 31:**

2016	\$ 46,726
2017	46,726
2018	46,727
2019	19,535
2020	-0-
Thereafter	-0-

The recognition period for experience and assumptions change gains/losses is 5.00 years.

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and deferred inflows plus employer contributions.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NON-UNIFORM PENSION PLAN – (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)**

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

**Calculation of Collective Pension Expense**

	<b>Measurement Year Ending</b>	
	<b><u>12/31/2015</u></b>	<b><u>12/31/2014</u></b>
Change in net pension liability	\$ 92,643	\$ 124,633
Change in deferred outflows	(48,079)	(120,246)
Change in deferred inflows	(2,870)	11,481
Employer contributions	94,219	92,743
<b>Pension Expense</b>	<b>\$ 135,913</b>	<b>\$ 108,611</b>
<b>Pension Expense as % of Payroll</b>	<b>51.67%</b>	<b>33.42%</b>
<b>Operating Expenses</b>		
Service cost	\$ 56,130	\$ 67,849
Employee contributions	-0-	-0-
PMRS administrative expense	320	340
Additional administrative expense	2,642	3,079
<b>Total</b>	<b>\$ 59,092</b>	<b>\$ 71,268</b>
<b>Financing Expenses</b>		
Interest cost	\$ 93,482	\$ 90,445
Expected return on assets	(63,387)	(80,293)
<b>Total</b>	<b>\$ 30,095</b>	<b>\$ 10,152</b>
<b>Changes</b>		
Benefits changes	\$ -0-	\$ -0-
Recognition of assumption changes	3,072	-0-
Recognition of liability gains and losses	(2,870)	(2,870)
Recognition of investment gains and losses	46,524	30,061
<b>Total</b>	<b>\$ 46,726</b>	<b>\$ 27,191</b>
<b>Pension Expense</b>	<b>\$ 135,913</b>	<b>\$ 108,611</b>



**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 – PENSION PLANS – (Continued)**

**NET PENSION ASSET**

Police (Uniform) Net Pension Asset	\$ 855,980
Non-Uniform Net Pension Liability	<u>(362,338)</u>
 Total Net Pension Asset	 <u>\$ 493,642</u>

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

In addition to providing the pension benefits described, the Borough provides postemployment health care benefits (OPEB) for eligible, retired police officers through a single-employer defined benefit plan. The benefits, benefit levels, and employer contributions are governed by the Borough and can be amended by the Borough Council through its personnel manual and union contracts. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report. The activity of the Plan is reported in the Borough's governmental and business-type activities.

**Benefits Provided**

The Borough provides a medical reimbursement up to \$500 per month until the earlier of the end of the 8<sup>th</sup> year of benefits or the retiree's death. If a retiree obtains coverage through his/her spouse's employment and contributions toward that coverage are required, the Borough will reimburse the retiree up to \$500 per month. A Deferred Retirement Option Plan (DROP) was added to the police pension plan during 2014. Officers who utilize the DROP are eligible to begin receiving OPEB benefits upon their termination of employment (DROP exit).

**Eligibility**

Officers hired prior to January 1, 2009 who retire under the normal or disability retirement provision of pension plan.

Normal Retirement Eligibility: Age 50 and 12 years of service (A participant may elect to utilize the three-year DROP plan and begin receiving OPEB benefits upon final termination of employment/DROP exit.)

Disability Retirement Eligibility: Total and permanent service-related disablement

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – (Continued)**

**Membership**

At January 1, 2015, the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	0
Active employees and DROP participants	<u>2</u>
Total	<u><u>2</u></u>

**Funding Policy**

The Borough's OPEB Plan is accounted for as an unfunded plan. The Borough may contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For 2015, the Borough made contributions of \$18,496.

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The net OPEB obligation as of the most current actuarial valuation of January 1, 2015 was calculated as follows:

Annual Required Contribution	\$ 7,976
Interest on Net OPEB Obligation	1,999
Adjustment to Annual Required Contribution	<u>(4,872)</u>
Annual OPEB Cost	5,103
Contributions Made	<u>(9,248)</u>
Decrease in Net OPEB Obligation	(4,145)
Net OPEB Obligation, Beginning of Year	<u>25,955</u>
Net OPEB Obligation, End of Year	<u><u>\$ 21,810</u></u>
Percentage of Annual OPEB Cost Contributed	115.95%

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – (Continued)**

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the Plan as of January 1, 2015, the date of the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 64,992
Actuarial Value of Plan Assets	<u>-0-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 64,992
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 131,687
UAAL as Percentage of Covered Payroll	49.35%

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – (Continued)**

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial value of assets was not determined as the Borough has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 12-year amortization period based on the duration of projected benefit payments to future eligible retirees. The remaining amortization period at January 1, 2015 was 12 years.

Cost Method	Entry-age normal actuarial cost method
Actuarial Asset Valuation Method	Not applicable
Assumed Rate of Return on Investments	4.5% per year
Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment and rates set forward five years for disabled lives
Mortality Improvement	100% of Scale AA
Withdrawal	None assumed
Disablement	60% of the rates of disablement from <i>Advanced Pension Tables</i>
Valuation Retirement Age	Age 50 with 12 years of service
Participation Percentage	100% of eligible retirees
DROP Participation	100% of participants are assumed to enter DROP at first eligibility and remain in DROP for three years

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 10 – TAX RATES**

The Borough had the following taxes/tax rates in effect for the year ended December 31, 2016:

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Assessed Valuation</u>
Real Estate	5.00 mills	\$ 337,935
Per Capita	\$10.00/person	21,030
Occupation	\$ 3.90/person	<u>8,202</u>
		<u>\$ 367,167</u>
Discount Period (2.00%)	March 1 through April 30	
Face Period	May 1 through June 30	
Penalty Period (5.00%)	July 1 through December 31	
Delinquent	After December 31	

**NOTE 11 – GRANTS**

On May 6, 2015, the Borough was approved for a Community Conservation Partnerships Program Keystone Recreation, Park and Conservation Fund Grant in the amount of \$40,000. The Borough was required to match \$20,000. The grant paid for eligible project costs incurred between January 1, 2015 through December 14, 2016. The Borough spent \$28,945 and \$3,226 in eligible costs during 2015 and 2016, respectively.

On May 18, 2015, the Borough was approved for a Keystone Communities Program Grant in the amount of \$225,000 with an original grant period of July 1, 2014 through June 30, 2017 which was then extended to October 31, 2017. The grant was used to fund streetscape and parking lot improvements at Community Memorial Hall. The Borough did not incur any project costs prior to 2017.

**NOTE 12 – SUBSEQUENT EVENTS**

On March 6, 2017, the Borough was approved for a Community Conservation Partnerships Program Keystone Recreation, Park and Conservation Fund Grant in the amount of \$40,000. The Borough is required to match \$20,000. The grant will pay for eligible project costs incurred between January 1, 2017 and December 31, 2020.

**BOROUGH OF ORWIGSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

On March 1, 2016, the Borough extended its Operations and Consultation Agreement with Schuylkill County Municipal Authority (SCMA) for one year through March 31, 2017. The monthly fee increased from \$1,990 per month to \$2,100 per month (\$1,050 for the Sewer Plant and \$1,050 for the Water Plant) for the period April 1, 2016 through March 31, 2017. There has been no formal extension since that date, but the Borough is still paying the \$2,100 per month as per the invoices provided by SCMA which state "per 03/09/2016 Agreement Extension and Resolution No. 2016-11."

The Borough has a collective bargaining agreement with its police force, which is effective January 1, 2017 to December 31, 2019 (the prior agreement was effective January 1, 2014 to December 31, 2016). The agreement provides for certain salaries and wages, employment benefits, and the rights and obligations of both the Borough and the police force.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE (DEFICIT) - CASH BASIS - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 823,100	\$ 922,212	\$ 99,112
Contributions	250	6,604	6,354
Licenses and Permits	64,150	65,365	1,215
Fines and Forfeits	13,500	11,755	(1,745)
Interest, Rents, and Royalties	52,500	53,663	1,163
Intergovernmental Revenues	10,300	100,406	90,106
Charges for Services	16,503	18,599	2,096
Miscellaneous Revenues	9,680	510	(9,170)
Refund of Prior Year Expenditures	-0-	2,966	2,966
<b>TOTAL REVENUES</b>	<b>989,983</b>	<b>1,182,080</b>	<b>192,097</b>
<b><u>EXPENDITURES</u></b>			
General Government	209,330	208,641	689
Public Safety	595,079	632,460	(37,381)
Public Works - Highways	92,211	222,095	(129,884)
Culture and Recreation	106,753	109,489	(2,736)
Debt Service	-0-	3,320	(3,320)
<b>TOTAL EXPENDITURES</b>	<b>1,003,373</b>	<b>1,176,005</b>	<b>(172,632)</b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	<b>(13,390)</b>	<b>6,075</b>	<b>19,465</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Short-Term Debt Proceeds	-0-	185,000	185,000
Transfers from Other Funds	15,000	150,653	135,653
Transfers to Other Funds	-0-	(108,418)	(108,418)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>15,000</b>	<b>227,235</b>	<b>212,235</b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u></b>	<b>1,610</b>	<b>233,310</b>	<b>231,700</b>
<b><u>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</u></b>	<b>-0-</b>	<b>(77,488)</b>	<b>(77,488)</b>
<b><u>FUND BALANCE - END OF YEAR</u></b>	<b>\$ 1,610</b>	<b>\$ 155,822</b>	<b>\$ 154,212</b>

**SEE INDEPENDENT AUDITOR'S REPORT**



**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL**  
**SANITATION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b><u>REVENUES</u></b>			
Interest, Rents, and Royalties	\$ 10	\$ -0-	\$ (10)
Intergovernmental Revenues	<u>288,846</u>	<u>296,471</u>	<u>7,625</u>
TOTAL REVENUES	288,856	296,471	7,615
<b><u>EXPENDITURES</u></b>			
Public Works - Sanitation	<u>288,856</u>	<u>278,793</u>	<u>10,063</u>
TOTAL EXPENDITURES	<u>288,856</u>	<u>278,793</u>	<u>10,063</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	-0-	17,678	17,678
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers to Other Funds	<u>-0-</u>	<u>(30,000)</u>	<u>(30,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(30,000)	(30,000)
<b><u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u></b>	-0-	(12,322)	(12,322)
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>	<u>-0-</u>	<u>34,841</u>	<u>34,841</u>
<b><u>FUND BALANCE - END OF YEAR</u></b>	<u>\$ -0-</u>	<u>\$ 22,519</u>	<u>\$ 22,519</u>

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for Services	\$ 800,400	\$ 835,991	\$ 35,591
Miscellaneous Revenue	500	-0-	(500)
Refund of Prior Year Expenditures	<u>-0-</u>	<u>1,198</u>	<u>1,198</u>
 TOTAL OPERATING REVENUES	 800,900	 837,189	 36,289
<b><u>OPERATING EXPENSES</u></b>			
Public Works	354,272	363,706	(9,434)
Salaries and Wages	101,634	115,198	(13,564)
Depreciation	<u>-0-</u>	<u>20,285</u>	<u>(20,285)</u>
 TOTAL OPERATING EXPENSES	 <u>455,906</u>	 <u>499,189</u>	 <u>(43,283)</u>
 OPERATING INCOME	 344,994	 338,000	 (6,994)
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Interest Revenue, Rents, and Royalties	<u>800</u>	<u>724</u>	<u>(76)</u>
 TOTAL NONOPERATING REVENUES (EXPENSES)	 800	 724	 (76)
<b><u>INCOME (LOSS) BEFORE TRANSFERS</u></b>	 345,794	 338,724	 (7,070)
<b><u>TRANSFERS</u></b>			
Transfers from Other Funds	31,241	105,851	74,610
Transfers to Other Funds	<u>(377,035)</u>	<u>(377,467)</u>	<u>(432)</u>
 TOTAL TRANSFERS	 (345,794)	 (271,616)	 74,178
<b><u>CHANGE IN NET POSITION</u></b>	 -0-	 67,108	 67,108
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	 <u>-0-</u>	 <u>1,341,862</u>	 <u>1,341,862</u>
<b><u>NET POSITION - END OF YEAR</u></b>	 <u>\$ -0-</u>	 <u>\$ 1,408,970</u>	 <u>\$ 1,408,970</u>

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL**  
**MUNICIPAL AUTHORITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b><u>ORIGINAL AND FINAL BUDGET</u></b>	<b><u>ACTUAL AMOUNTS</u></b>	<b><u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u></b>
<b><u>OPERATING REVENUES</u></b>			
Rental Income	\$ 51,400	\$ 51,400	\$ -0-
TOTAL OPERATING REVENUES	51,400	51,400	-0-
<b><u>OPERATING EXPENSES</u></b>			
Public Works	27,355	9,140	18,215
Depreciation	-0-	154,917	(154,917)
TOTAL OPERATING EXPENSES	27,355	164,057	(136,702)
OPERATING INCOME (LOSS)	24,045	(112,657)	(136,702)
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Interest Income	-0-	16	16
TOTAL NONOPERATING REVENUES (EXPENSES)	-0-	16	16
<b><u>CHANGE IN NET POSITION</u></b>	24,045	(112,641)	(136,686)
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	-0-	4,308,125	4,308,125
<b><u>NET POSITION - END OF YEAR</u></b>	\$ 24,045	\$ 4,195,484	\$ 4,171,439

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b><u>ORIGINAL AND FINAL BUDGET</u></b>	<b><u>ACTUAL AMOUNTS</u></b>	<b><u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u></b>
<b><u>OPERATING REVENUES</u></b>			
Charges for Services	\$ 739,800	\$ 742,772	\$ 2,972
Refund of Prior Year Expenditures	<u>-0-</u>	<u>1,541</u>	<u>1,541</u>
TOTAL OPERATING REVENUES	739,800	744,313	4,513
<b><u>OPERATING EXPENSES</u></b>			
Public Works	267,454	218,568	48,886
Salaries and Wages	101,634	115,108	(13,474)
Depreciation	<u>-0-</u>	<u>323,676</u>	<u>(323,676)</u>
TOTAL OPERATING EXPENSES	<u>369,088</u>	<u>657,352</u>	<u>(288,264)</u>
OPERATING INCOME	370,712	86,961	(283,751)
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Interest Revenue, Rents, and Royalties	<u>10</u>	<u>-0-</u>	<u>(10)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	10	-0-	(10)
<b><u>INCOME (LOSS) BEFORE TRANSFERS</u></b>	370,722	86,961	(283,761)
<b><u>TRANSFERS</u></b>			
Transfers from Other Funds	-0-	1,000	1,000
Transfers to Other Funds	<u>(370,722)</u>	<u>(408,605)</u>	<u>(37,883)</u>
TOTAL TRANSFERS	<u>(370,722)</u>	<u>(407,605)</u>	<u>(36,883)</u>
<b><u>CHANGE IN NET POSITION</u></b>	-0-	(320,644)	(320,644)
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	<u>-0-</u>	<u>5,146,939</u>	<u>5,146,939</u>
<b><u>NET POSITION - END OF YEAR</u></b>	<u>\$ -0-</u>	<u>\$ 4,826,295</u>	<u>\$ 4,826,295</u>

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

**BUDGETS**

The Borough prepares its annual budgets under the provisions of the Pennsylvania Borough Code. Annual appropriated budgets are adopted for the General, Sanitation, Sewer, and Water Funds. In accordance with those provisions, the following process is used to adopt the annual budgets:

Beginning at least 30 days prior to adoption of the budget, a proposed budget or annual estimate of revenues and expenditures for the ensuing year is prepared in a manner designated by the Borough Council (Council). Notice that the proposed budget is available for inspection is published indicating the proposed budget is available for inspection for 30 days.

After the expiration of the 30-day period, the Council may make revisions to the proposed budget. The budget is adopted by motion of Council and an ordinance levying taxes for the fiscal year is adopted no later than December 31<sup>st</sup>. Adoption of the budget by the Council constitutes appropriations for the expenditures for the fiscal year. The annual appropriated budgets are legally enacted and provide for a legal level of control at the department level, or, where no departmental segregation of a fund exists, the fund level. All annual appropriations lapse at fiscal year end.

**BUDGETARY NONCOMPLIANCE**

Expenditures exceeded appropriations for the year ended December 31, 2016 as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General	\$ 1,003,373	\$ 1,176,005	\$ 172,632
Enterprise			
Sewer	\$ 455,906	\$ 499,189	\$ 43,283
Municipal Authority	\$ 27,355	\$ 164,057	\$ 136,702
Water	\$ 369,088	\$ 657,352	\$ 288,264

Note: The Enterprise Funds do not include depreciation expense in their annual budgets.

**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG POLICE (UNIFORM) PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST 10 MEASUREMENT YEARS (IF AVAILABLE)**

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards.

	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ -0-	\$ -0-
Contributions in Relation to the Actuarially Determined Contribution*	\$ -0-	462
Contribution Deficiency/(Excess)	\$ -0-	\$ (462)
Participant Payroll**	\$ 218,600	\$ 278,611
Contributions as a Percentage of Covered-Participant Payroll	0.00%	0.17%

\*Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

\*\*Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation.

See Notes to Schedule on the next page.

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**BOROUGH OF ORWIGSBURG POLICE (UNIFORM)PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS – (Continued)**  
**LAST 10 MEASUREMENT YEARS (IF AVAILABLE)**

**Notes to Schedule:**

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2015 contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset Valuation Method: Based upon the municipal reserves
- Discount Rate: 5.50%
- Inflation: 3.0%
- Salary Increases: Age related scale with merit and inflation component
- COLA Increases: 3.0% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000 with 1 year set back, Females – RP 2000 with 5 year set back
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Healthy Mortality

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as are available.

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG NON-UNIFORM PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST 10 MEASUREMENT YEARS (IF AVAILABLE)**

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards.

	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 94,219	\$ 92,683
Contributions in Relation to the Actuarially Determined Contribution*	\$ 94,219	92,743
Contribution Deficiency/(Excess)	\$ -0-	\$ (60)
Participant Payroll**	\$ 263,041	\$ 325,027
Contributions as a Percentage of Covered- Participant Payroll	35.82%	28.53%

\*Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

\*\*Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation.

See Notes to Schedule on the next page.

**SEE INDEPENDENT AUDITOR'S REPORT**



**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG NON-UNIFORM PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS – (Continued)  
LAST 10 MEASUREMENT YEARS (IF AVAILABLE)**

**Notes to Schedule:**

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2015 contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset Valuation Method: Based upon the municipal reserves
- Discount Rate: 5.50%
- Inflation: 3.0%
- Salary Increases: Age related scale with merit and inflation component
- COLA Increases: 3.0% for those eligible for a COLA
- Pre-Retirement Mortality: Males – RP 2000 with 1 year set back, Females – RP 2000 with 5 year set back
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Healthy Mortality

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as are available.

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**BOROUGH OF ORWIGSBURG POLICE (UNIFORM) PENSION PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY**

<b><u>Total Pension Liability</u></b>	<b>Measurement Year Ending</b>	
	<b><u>12/31/2015</u></b>	<b><u>12/31/2014</u></b>
Service cost (beginning of year)	\$ 38,967	\$ 53,735
Interest (includes interest on service cost)	63,375	65,566
Changes of benefit terms	-0-	-0-
Differences between expected and actual experience	-0-	(144,148)
Changes of assumptions	(6,305)	-0-
Transfers	-0-	-0-
Benefit payments, including refunds of employee contributions	-0-	(442)
<b>Net change in total pension liability</b>	<b>\$ 96,037</b>	<b>\$ (25,289)</b>
<b>Total pension liability - beginning</b>	<b><u>1,113,303</u></b>	<b><u>1,138,592</u></b>
<b>Total pension liability - ending</b>	<b><u>\$ 1,209,340</u></b>	<b><u>\$ 1,113,303</u></b>
<b><u>Plan fiduciary net position</u></b>		
Contributions - employer	\$ -0-	\$ 462
Contributions - PMRS assessment	-0-	-0-
Contributions - member	-0-	-0-
PMRS investment income	114,123	108,090
Market value investment income	(126,790)	(10,706)
Transfers	-0-	-0-
Benefit payments, including refunds of member contributions	-0-	(442)
PMRS administrative expense	(100)	(120)
Additional administrative expense	(4,758)	(4,145)
<b>Net change in plan fiduciary net position</b>	<b>\$ (17,525)</b>	<b>\$ 93,139</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>2,082,845</u></b>	<b><u>1,989,706</u></b>
<b>Plan fiduciary net position - ending</b>	<b><u>\$ 2,065,320</u></b>	<b><u>\$ 2,082,845</u></b>
<b>Net pension liability - ending</b>	<b><u>\$ (855,980)</u></b>	<b><u>\$ (969,542)</u></b>
Plan fiduciary net position as a percentage of the total pension liability	170.78%	187.09%
Covered employee payroll	\$ 218,600	\$ 278,611
Net pension liability as a percentage of covered employee payroll	(391.57)%	(347.99)%

No information was available for 12/31/2016.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as are available.

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG**  
**BOROUGH OF ORWIGSBURG NON-UNIFORM PENSION PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY**

	Measurement Year Ending	
	12/31/2015	12/31/2014
<b><u>Total Pension Liability</u></b>		
Service cost (beginning of year)	\$ 56,130	\$ 67,849
Interest (includes interest on service cost)	93,482	90,445
Changes of benefit terms	-0-	-0-
Differences between expected and actual experience	-0-	(14,351)
Changes of assumptions	15,359	-0-
Transfers	-0-	-0-
Benefit payments, including refunds of employee contributions	(81,243)	(72,885)
<b>Net change in total pension liability</b>	<b>\$ 83,728</b>	<b>\$ 71,058</b>
<b>Total pension liability - beginning</b>	<b>1,683,619</b>	<b>1,612,561</b>
<b>Total pension liability - ending</b>	<b>\$ 1,767,347</b>	<b>\$ 1,683,619</b>
<b><u>Plan fiduciary net position</u></b>		
Contributions - employer	\$ 93,899	\$ 92,743
Contributions - PMRS assessment	320	-0-
Contributions - member	-0-	-0-
PMRS investment income	63,387	80,293
Market value investment income	(82,316)	(150,307)
Transfers	-0-	-0-
Benefit payments, including refunds of member contributions	(81,243)	(72,885)
PMRS administrative expense	(320)	(340)
Additional administrative expense	(2,642)	(3,079)
<b>Net change in plan fiduciary net position</b>	<b>\$ (8,915)</b>	<b>\$ (53,575)</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,413,924</b>	<b>1,467,499</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 1,405,009</b>	<b>\$ 1,413,924</b>
<b>Net pension liability - ending</b>	<b>\$ 362,338</b>	<b>\$ 269,695</b>
Plan fiduciary net position as a percentage of the total pension liability	79.50%	83.98%
Covered employee payroll	\$ 263,041	\$ 325,027
Net pension liability as a percentage of covered employee payroll	137.75%	(82.98)%

No information was available for 12/31/2016.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as are available.

**SEE INDEPENDENT AUDITOR'S REPORT**

**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG POLICE (UNIFORM) PENSION PLAN  
SCHEDULE OF FUNDING PROGRESS  
LAST 4 BI-ANNUAL PERIODS**

Actuarial Valuation Date	<u>01/01/09</u>	<u>01/01/11</u>	<u>01/01/13</u>	<u>01/01/15</u>
Actuarial Value of Assets (a)	\$ 1,510,854	\$ 1,696,596	\$ 1,905,132	\$ 2,121,54
Entry-Age Actuarial Accrued Liabilities (AAL) (b)	\$ 1,079,162	\$ 804,501	\$ 1,027,665	\$ 1,113,30
Percentage Funded (a/b)	140.00%	211.67%	185.38%	190.56
Unfunded AAL (UAAL) (b-a)	\$ (431,692)	\$ (892,095)	\$ (877,467)	\$ (1,008,24
Annual Covered Payroll (c)	\$ 247,761	\$ 181,135	\$ 267,381	\$ 204,32
UAAL as a % of Covered Payroll ((b-a)/(c))	N/A	N/A	N/A	N/A

**BOROUGH OF ORWIGSBURG  
BOROUGH OF ORWIGSBURG NON-UNIFORM PENSION PLAN  
SCHEDULE OF FUNDING PROGRESS  
LAST 4 BI-ANNUAL PERIODS**

Actuarial Valuation Date	<u>01/01/09</u>	<u>01/01/11</u>	<u>01/01/13</u>	<u>01/01/15</u>
Actuarial Value of Assets (a)	\$ 977,037	\$ 1,172,215	\$ 1,186,930	\$ 1,449,262
Entry-Age Actuarial Accrued Liabilities (AAL) (b)	\$ 1,244,562	\$ 1,465,477	\$ 1,474,508	\$ 1,683,619
Percentage Funded (a/b)	78.50%	79.99%	80.50%	86.08%
Unfunded AAL (UAAL) (b-a)	\$ 267,525	\$ 293,262	\$ 287,578	\$ 234,357
Annual Covered Payroll (c)	\$ 316,572	\$ 302,001	\$ 311,926	\$ 302,949
UAAL as a % of Covered Payroll ((b-a)/(c))	84.51%	97.11%	92.19%	77.36%

**BOROUGH OF ORWIGSBURG  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFIT PLAN  
DECEMBER 31, 2016**

**Schedule of Funding Progress**

		(1)	(2)	(3)	(4)	(5)	(6)
		Actuarial	Actuarial	Percentage	Unfunded	Annual	Unfunded
		Value of	Accrued	Funded	Actuarial	Covered	Actuarial
		Plan Assets	Liability (AAL)	(1) / (2)	Liability	Payroll	Accrued
			Entry-Age		(2) - (1)		Liability as
Actuarial	Date						a
Valuation							Percentage
							of Covered
							Payroll
							(4) / (5)
January 1, 2010		\$ -0-	\$ 80,086	0.00%	\$ 80,086	\$ 224,457	35.68%
January 1, 2015		\$ -0-	\$ 64,992	0.00%	\$ 64,992	\$ 131,687	49.35%

**Schedule of Employer Contributions**

Fiscal	Employer	Annual	Percentage
Year	Contributions	Required	Contributed
		Contribution	
		(ARC)	
December 31, 2011	\$ 5,432	\$ 9,248	58.74%
December 31, 2012	\$ 9,248	\$ 9,248	100.00%
December 31, 2013	\$ 9,248	\$ 9,248	100.00%
December 31, 2014	\$ 9,248	\$ 9,248	100.00%
December 31, 2015	\$ 18,496	\$ 7,976	231.90%
December 31, 2016	\$ 9,248	\$ 7,976	115.95%

**SEE INDEPENDENT AUDITOR'S REPORT**

**SUPPLEMENTARY  
INFORMATION**

**BOROUGH OF ORWIGSBURG  
COMBINING BALANCE SHEET - CASH BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<u>SPECIAL REVENUE</u>	
	<u>INVESTMENT FUND</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 24,493	\$ 24,493
TOTAL ASSETS	<u>\$ 24,493</u>	<u>\$ 24,493</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b><u>LIABILITIES</u></b>	\$ -0-	\$ -0-
<b><u>FUND BALANCES</u></b>		
Restricted for:		
Investments	24,493	24,493
Assigned to:		
Public Works - Highway	<u>-0-</u>	<u>-0-</u>
TOTAL FUND BALANCES	<u>24,493</u>	<u>24,493</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,493</u>	<u>\$ 24,493</u>

**SEE INDEPENDENT AUDITOR'S REPORT**



**BOROUGH OF ST. ORWIGSBURG  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CASH BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>SPECIAL REVENUE</u>	
	<u>INVESTMENT FUND</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
<b><u>REVENUES</u></b>		
Contributions	\$ 12,250	\$ 12,250
Interest, Rents, and Royalties	9	9
Intergovernmental Revenues	<u>2,468</u>	<u>2,468</u>
TOTAL REVENUES	14,727	14,727
<b><u>EXPENDITURES</u></b>		
Public Works - Highways	-0-	-0-
Miscellaneous Expenditures	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>-0-</u>	<u>-0-</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	14,727	14,727
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Transfers to Other Funds	<u>(5,928)</u>	<u>(5,928)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,928)</u>	<u>(5,928)</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u></b>	8,799	8,799
<b><u>FUND BALANCES - BEGINNING OF YEAR</u></b>	<u>15,694</u>	<u>15,694</u>
<b><u>FUND BALANCES - END OF YEAR</u></b>	<u>\$ 24,493</u>	<u>\$ 24,493</u>

**SEE INDEPENDENT AUDITOR'S REPORT**